

another interexchange carrier, and despite spending 35% of its revenue to win and retain customers,⁷ AT&T continues to lose substantial market share.

WorldCom, which now has approximately 5% of the market⁸ and \$1.234 billion in revenue per quarter, should certainly also be considered among the leading carriers.⁹ It and other smaller carriers continue to increase their shares. The shifts in market shares and the rapid introduction of competitive offerings evidence the intense competition that is present in the long distance industry.

In this competitive marketplace Sprint is continually introducing new products, features and promotions to attract new customers and to retain its existing customers. Business and residential customers are generally well aware of new products and promotions because they are heavily advertised, and the carriers emphasize the cost savings of their products over those of their competitors. Price-sensitive customers will move to the products and promotions offering them the lowest prices and will thereby benefit from the products generated by long distance competition.

Kahn/Tardiff argue (§11) that since the 1984 divestiture, the long distance market has been “dominated by AT&T, MCI and Sprint... .” Although they do not define the

⁷ “AT&T Attacks BellSouth and USTA Claims on Long Distance Pricing,” Communications Daily, January 29, 1997, p. 3.

⁸ WorldCom’s share was 0.1% in the first quarter of 1988 and rose to 5.1% in the fourth quarter of 1996. “Long Distance Market Shares, Fourth Quarter 1996,” Table 6. In addition, WorldCom has approximately 50% of the Fiber System Route Miles of MCI and Sprint. “Fiber Deployment Update End of Year 1995,” Jonathan M. Kraushaar, Industry Analysis Division, Common Carrier Bureau, F.C.C., July 1996, Table 1. WorldCom’s significant capacity adds credibility to its marketing efforts to gain market share.

⁹ “Long Distance Market Shares, Fourth Quarter 1996,” Table 6.

term “dominate[]”, the facts show that both AT&T individually, and AT&T, Sprint and MCI collectively, account for a much smaller share of the long distance market today than they did in 1984. In that year, AT&T’s market share (defined as total toll service revenues) was 90.1%, and the aggregate market share of AT&T, Sprint and MCI amounted to 97.3%.¹⁰ By 1995, AT&T’s market share had fallen to 53%, and the collective market share of AT&T, Sprint and MCI had fallen to 80.8%, while the smaller IXC’s share grew from 2.6% in 1984 to 19.1% in 1995 (*id.*). In just the four year period from 1992 to 1995, the smaller carriers increased their market share by nearly 50%, from 12.9% to 19.1% (*id.*). Thus, the growth in the smaller IXC’s market share, and AT&T’s loss of market share to both the smaller carriers and Sprint and MCI, belie the belief that the market is “dominated” by the three largest IXCs.

The contentions of Schmalensee (¶¶6 and 18) and Kahn/Tardiff (¶23) that the large IXCs neglect or even choose not to compete for residential customers is contrary to fact. In Sprint’s case, our flagship residential product – Sprint Sense – is targeted to be sure, but merely at anyone who happens to have access to a television set. The flat-rated Sprint Sense plan, featuring the much-heralded dime-a-minute rate for evenings, nights and weekends, has no fixed monthly charge, no minimum monthly usage requirement and thus is equally open to low volume and high volume residential subscribers. And as alluded to above, the principal sales channel for Sprint Sense is mass television advertising – advertising that reaches consumers regardless of their usage. Indeed, over the past four years, the number of new Sprint residential customers with low usage (less than \$10 per

¹⁰ “Long Distance Market Shares Fourth Quarter 1996,” Table 5.

month) exceeded the number of new high-usage (\$25+ per month) customers.¹¹ Thus, the notion that there is some passive understanding among the three largest IXC's not to compete for low volume customers is simply contrary to the facts as described above.¹²

B. Claims That Prices Have Not Decreased Despite Declining Costs Are Based on Flawed Analyses.

SBC misrepresents the facts when it claims that low-volume customers are ineligible for discount plans, that long distance carriers have increased the prices of their long distance service in the face of declining costs and that AT&T, MCI and Sprint have increased their price-cost margins. SBC at 59-61. As discussed above, Sprint, for one, offers low rates to all residential customers, regardless of volume. Sprint's services which are most attractive to residential and small business customers were not included in the price-cost margin analysis. The implication to be drawn from the fact that increases in minutes of use are higher than increases in revenues is simply that prices are decreasing.¹³

¹¹ Previously Sprint's major product was The Most, which offered a discount to the number called the most and to other Sprint subscribers, again without a fixed monthly charge or minimum volume requirements. Similarly, over time, additional products and promotions were offered with The Most. At its peak, over one million customers subscribed to The Most.

¹² Schmalensee derives the revenue per presubscribed line for the ten largest interexchange carriers. ¶19. Based on the results, Schmalensee concludes that "[t]he lesson is that the carriers other than AT&T tend more to focus on high-volume customers than AT&T does." This is not the lesson. Rather, the results clearly point out that AT&T, as a result of having been the monopoly provider and still being the only carrier from non-equal access offices, retained an enormous number of customers who are not price-sensitive and who make very few, if any, long distance calls. Recently it was reported that about one-third of AT&T's customers have never switched long distance carriers. "Coy Telecom Giant Woos AT&T's Customers," The Wall Street Journal, April 15, 1997, B1. These low-volume customers pull down AT&T's average revenue per presubscribed line.

¹³ For example, Sprint's First Quarter 1997 results showed a 14 percent increase in long distance minutes of use, while only an 8.5 percent increase in revenues.

SBC relies on Schmalensee and MacAvoy to claim that “over 80 percent of AT&T’s residential long distance customers were required to pay full, undiscounted toll rates.” SBC at 60. To begin with, neither Schmalensee nor MacAvoy offers such a high figure. Schmalensee states that “about 64 percent of AT&T’s residential long distance customers in Oklahoma faced full, undiscounted toll rates,” citing an analysis by PNR and Associates. Schmalensee at ¶18, fn. omitted. And as SBC notes elsewhere(fn. 48), MacAvoy found that “60% of AT&T residential customers [are] ineligible for discounts.”

Nonetheless, MacAvoy's (and therefore Schmalensee's) finding is simply wrong because MacAvoy assumes that all discount plans are based on volume. For instance, MacAvoy has ignored the very popular, lower priced offerings, such as Sprint Sense and Business Sense, which are not volume-based, and non-price-based promotions. These products are Sprint's most popular, and in fact account respectively for the majority of Sprint residential and business users.¹⁴ Thus, MacAvoy's analysis of discount plans is based on incorrect assumptions and incorrect data. His conclusions based on such data suffer correspondingly.

SBC then reaches the invalid conclusion that flat-rate promotions “have failed to reduce the cost of long distance calling for most customers.” SBC at 61. Support for this claim comes from Kahn’s and WEFA’s references to increases in the consumer price index. The Consumer Price Index for Telecommunications is an index for residential service only and includes only some volume discounts. The index was developed in 1986

¹⁴ This same error leads MacAvoy to conclude that rate increases in 1996 “involve significant rate increases on most consumer calls.” Since “most consumer calls” for Sprint customers occurred via Sprint Sense and Business Sense and Business MTS, his statement is flatly wrong.

and updated in 1987 and 1988--well before the introduction of flat-rate pricing--and thus does not accurately reflect the current telecommunications environment. Prices from only a few competitors are included in the index, and it does not include the promotional offerings of carriers. Nor does it take into account new products, such as Sprint Sense or MCI's Friends and Family offerings. Thus, it cannot be relied upon to support the claim that prices to "most consumers" increased in 1996.

SBC cites Kahn's and WEFA's analyses in support of its notion that long distance carriers are increasing prices while their costs are decreasing. SBC at 59. According to Kahn, the decline in access charges "[f]rom 1994 to 1996 alone" is about 10 percent. Kahn ¶14. It should be pointed out, however, that the average access charge per conversation minute in effect from July 1, 1994 through June 30, 1995 of 6.89 cents was higher than that for the period July 1, 1992 through June 30, 1993 of 6.76 cents and for July 1, 1993 through June 30, 1994 of 6.66 cents. The decrease from July 1, 1991 to July 1, 1996 was only about 13 percent.¹⁵ Thus, Kahn's calculation of the decrease from July 1, 1994 creates a misimpression of the average rate at which access charges were declining.

SBC refers to MacAvoy's price-cost margin analysis to claim that AT&T, MCI and Sprint "have increased significantly their already high price-cost margins, particularly for residential and small business service." SBC at 59. There are serious flaws, however, in MacAvoy's analysis. In particular, MacAvoy violates accepted methodologies for

¹⁵ Federal-State Joint Board Staff, FCC Monitoring Report, May 1996, Table 5.11, p. 474.

tracking prices. His analysis fails to use an accurate selection of product and promotional offerings, and his results are skewed accordingly.

For Sprint services, he omits the most heavily used and the most competitive products in evaluating the price-cost margin. For residential service, MacAvoy relied on the oldest and highest priced product, commonly referred to as MTS (Message Telephone Service), and two early Sprint optional calling plans.¹⁶ *These three products are subscribed to by less than a quarter of Sprint's residential and small business customers.*

Sprint's Dial 1 (MTS) product forms the basis for MacAvoy's MTS price-cost margin analysis for Sprint. As shown in Figure 1, the average Sprint Dial 1 rates are significantly higher than Sprint's competitive products, The Most and Sprint Sense. Thus, although wholly unaccounted for in the MacAvoy analysis, *the majority of Sprint's residential customers currently subscribe to Sprint Sense.*

Similarly, for small-to medium-sized business customers, MacAvoy selected for his analysis one of Sprint's oldest products, Dial 1 WATS Advantage, which has not been available to new subscribers for approximately two years.¹⁷ As shown in Figures 2 and 3,

¹⁶ Sprint Select Day Plan and Sprint Plus, were introduced in 1989 and 1991, respectively.

¹⁷ In January 1992, Sprint introduced its new business product, Sprint Clarity®, for the small- to medium-sized business market. Sprint Clarity®, which was designed to replace the WATS and 800 products, integrates switched and dedicated access for both inbound and outbound service and switched data service. It has a simpler rate structure and enhanced features and billing capabilities. In addition, customers are afforded greater volume discounts because all services contribute to achieve a higher volume. It also offers significant volume and term discounts. Sprint's business communications services now include other new products, such as The Most for Business(sm), Sprint Premiere(sm), Real Solutions(sm), and Business Sense®. Sprint's Business Sense® Free Fridays promotions, which offer free long distance service on Fridays, have been extremely successful.

the rates for Dial 1 WATS Advantage are considerably higher than for Sprint's most competitive product, Business Sense. Again, although wholly absent from the analysis, Business Sense, with its Fridays Free promotion, is Sprint's *most popular business product*.

Moreover, a virtual continuum of rates are available to larger business customers under the contract tariffs which afford customers the opportunity to negotiate rates, terms and conditions with the carriers. In 1991 the Commission allowed AT&T and other interexchange carriers to offer service under contract tariffs. 6 FCC Rcd 5880 (1991). Since that time Sprint has filed approximately 1,500 contract tariffs (Custom Network Service Arrangements), and AT&T has filed over 6,900. Substantial volumes of traffic are now carried at these contract rates. Any analysis of the competitiveness of the long distance market which ignores this critical factor is fatally flawed.

MacAvoy offers neither an explanation nor justification for his failure to include Sprint's most popular, competitive products. The numbers used likely reflect the relative ease of tracking pricing over time in this manner, but one is not free to ignore usage or popularity of products and still claim to have provided an accurate measure of prevailing prices. Moreover, there is every indication that MacAvoy's failure to reflect Sprint's major competitive offerings was repeated in the case of AT&T's and MCI's services.

The effect of MacAvoy's errors is to completely distort his price-cost margin in the last five years. The use of accurate prices for the competitive products actually subscribed to by most customers materially decreases the resulting price-cost margins. Given the magnitude of the differential in prices between MacAvoy's selected products and the most

competitive products, the pattern of these price-cost margins would have been completely different: the price-cost margins would be flat or decline over time, indicating that competition exists in the long distance industry.¹⁸

Based on WEFA's affidavit, SBC claims that long distance prices have been increasing despite the fact that costs have decreased by 6 to 7 percent per year. SBC at 59. WEFA, however, offers no analytical justification for this estimate. Rather, it merely states that "[t]hese decreasing costs occur because of improvements and cost reductions in fiber optic electronics and switches." WEFA at 11. Moreover, WEFA's statement appears to ignore all other costs incurred by long distance carriers. For example, governmentally imposed costs, in particular payments for the Universal Service Fund ("USF"), Lifeline, and Telecommunications Relay Service have increased nearly threefold since 1989.¹⁹ Other non-marginal cost increases have been substantial and thus must be accounted for. Most especially, promotional and marketing costs reflecting vigorous

¹⁸ Even when using the correct products, further refinement is necessary. An analysis of the base product prices will not be complete because many promotions offer goods and services or free long distance service, rather than a discount off the tariffed rate or a different rate. For example, Sprint offered its Sprint Priority Rewards Program (sm) which awards points which can be redeemed for a variety of long distance, travel and entertainment rewards, Sprint Double Credit Promotion which offers two free months of service, Sprint Triple Credit Promotion which offered three free months of service, and Split the Weekend Promotion which offered The Most subscribers a 50% discount on weekend calls. The impact of these types of discounts cannot be determined from the tariff. Nevertheless, they represent competitive responses which should have been reflected in the price-cost analysis.

¹⁹ For the last six months of 1989 the approximate monthly billing for these two services was \$158.1 million; the FCC estimated the billings for the first half of 1996 to be \$448.3 million. In addition, since 1993 carriers are required to pay for Telecommunications Relay Service ("TRS") based on their gross revenues.

competition for market share have increased. AT&T recently stated it was spending 35 percent of its revenue to win and retain customers.²⁰

Any suggestion that competition is absent from the long distance industry because price-cost margins have not been driven to zero is simply incorrect. This suggestion plainly assumes, erroneously, that competition would have been expected to drive margins to zero. This is simply not the case. Especially given the presence of substantial fixed costs for this industry, economic analysis would readily predict margins sufficient to recover fixed costs. The fixed costs facing this industry include network maintenance, non-volume sensitive marketing and sales, billing and collection, research and development, customer service, and fraud.²¹ The need to recover these significant fixed costs necessarily means that profit margins will not be driven to zero even in a fully competitive environment.

Further, increases in fixed costs perfectly consistent with a competitive market are not accounted for in measures of price-cost margins based upon marginal costs. Thus, an upsurge in promotion and marketing to capture greater market share would result in increased fixed costs not reflected in any tracking of price- (marginal) cost margin trends. This is, of course, exactly what has happened in the long distance industry over

²⁰ "AT&T Attacks BellSouth and USTA Claims on Long Distance Pricing," Communications Daily, January 29, 1997, p. 3.

²¹ Fixed costs do not include "a fee paid to a local exchange carrier for processing a presubscription order," as stated by Schmalensee at ¶21, because the customer, not the interexchange carrier, is charged for changing carriers.

MacAvoy's study period. Consideration of increases in non-marginal costs is thus necessary to get the full picture.

SBC notes that "[t]here may be methodological controversies about the proper measures of price, cost, and profit in long distance." Indeed, it is correct on this point. Such controversies cannot be easily dismissed because they reveal errors of methodology which completely undermine the results of the studies. No public interest analysis of SBLD's entry can fairly rely upon the skewed conclusions of these studies.

III. ESTIMATES OF THE PURPORTED BENEFITS OF SBLD'S ENTRY ARE OVERSTATED.

SBC employed WEFA to examine the economic impact of the entry of SBLD into the interLATA market in Oklahoma. Based on this study, SBC claims that "[t]he total public benefits of SBLD's participation in the interLATA market in Oklahoma likely will be dramatic." SBC at 70. As noted in its summary, WEFA has done other studies of the telecommunications industry and the impact of deregulation and lifting the line-of-business restrictions. Here, WEFA has calculated the economic impact of SBLD's entry into the interLATA long distance market in Oklahoma by 2006 to be 10,252 additional jobs and an increase of \$712,075,000 in the Gross State Product. As discussed below, Sprint believes there are serious flaws in its analysis.

First, as one of its long distance stimulation assumptions, WEFA assumes that long distance prices will fall by 25 percent by the year 2001 due to two factors: (1) competitive pressure on prices which are above competitive levels and (2) improved utilization of a more efficient network. WEFA at 8. An overall price decrease of 25 percent is highly

optimistic. This decrease is greater than the decrease in rates during the late 1980's which resulted from significant decreases in access charges, as well as competition and more efficient networks and utilization. To attribute a greater decrease solely to competition and more efficient utilization of the network--without any decrease in access charges--is unreasonable.

WEFA (at 11), along with Kahn/Tardiff (§53), seeks to draw on the experience of other LECs offering in-region long distance service as support for the proposition that the RBOCs will be likely to offer substantially lower rates to low volume residential customers than are offered by the major facilities-based long distance carriers.²² They point to SNET's experience in Connecticut, claiming that SNET offers service at substantially lower rates than AT&T's basic rates. This comparison is irrelevant for failing to use accurate prices, as discussed above. More to the point, it is Sprint's understanding that the two principal long distance plans for interstate calls offered by SNET are its Simple Solutions, which has an interstate rate of \$.23/minute for peak periods and \$.13/minute for off-peak periods, and the United Rate Plan, which offers a flat rate of \$.15/minute 24 hours a day. Given the typical calling patterns of most residential customers, Sprint believes that its Sprint Sense plan, which, as pointed out above, requires no fixed monthly charge or minimum monthly volume, is a better deal for consumers: it has a rate of \$.25/minute for peak periods but only a \$.10/minute rate for evenings, nights and weekends, which are the most popular calling periods for residential customers. SNET's

²² Schmalensee, while at first siding with WEFA's and Kahn/Tardiff's belief that SBC will have an incentive to offer reduced rates to low-volume customers, later waffles on this point by disclaiming (at §32) any view as to whether SBC will position itself as a discount carrier or instead will provide services of superior quality (presumably at higher rates).

lowest off-peak rate is 30% above Sprint's rate for those periods, and based on actual usage characteristics of its customers, the typical Sprint Sense customer pays an effective rate of less than \$0.14 per minute -- less than he or she would under either of SNET's plans.

WEFA does not specify which long distance rates it expects to fall by 5 percent each year. The focus of its discussion is on residential users and services. However, the WEFA model may, in fact, apply the discount assumption to all long distance services, including larger business services. Given the different characteristics of the two market segments, the application of one price decrease factor to both groups would be overly simplistic.

Although WEFA does not state its assumptions concerning price decreases from 2001 to 2006, it is likely that it assumed a continued decrease in prices of 5 percent. WEFA offers no explanation for failing to provide its assumption throughout the forecast period. However, clearly a 50 percent rate reduction--if this is what was used to continue the economic benefits in the last five years of the forecast--is unreasonable. It implies that the market will not reach an equilibrium after a few years, but rather that long distance carriers will continue to compete with each other on price throughout the decade.²³

WEFA's assumption that prices will decrease is predicated on the assumption that prices for long distance service are increasing. As discussed above, the price indices used

²³ WEFA argues that "in the examples where another major competitor entered a specific interLATA market in the past, the significant price reductions were offered immediately..." at 11. SBC cannot have it both ways: either reductions are immediate or they are spread out over a long period. If the price drops immediately and there is no continued decline, WEFA's conclusions are erroneous.

are flawed because they do not take into account new services and promotional offerings. Because its pricing decrease assumption is based on an incorrect assumption about long distance pricing, the pricing decrease assumption necessarily must be incorrect as well.

Second, WEFA's stimulation is also based on increased labor force participation and "new applications that enhance the viability of telework, telecommuting and remote data, document, and information processing." WEFA at p. 8. Unfortunately, long distance calling is not necessarily stimulated by telework or telecommuting. Rather than commute into work, employees perform the same functions at home. However, because they are generally within the local calling area of their places of employment, stimulated usage is local. Similarly, access to the Internet may be increasing, but the increase in calling is largely to local telephone numbers of the information providers. Thus, much of the additional calling generated by telework and telecommuting is local, not long distance, and should not be included as an impact of SBLD's entry into the long distance market.

In addition, it is not clear that WEFA's model accurately accounts for the very rural nature of Oklahoma. The labor force is particularly inclined to "telecommute" and "telework" in urban areas where the time involved in commuting can be lengthy. If there are fewer residents in urban areas in Oklahoma relative to other states in its region or in the nation, fewer people will "telecommute" or "telework," and the application of a national or regional relationship would be inappropriate.

Finally, WEFA projects productivity gains and product improvements to be 2% greater in its long distance simulation than its baseline simulation. *Id.* WEFA provides no basis for this assumption of a significant gain above and beyond the baseline gains that

would be projected based on efficiencies built into historical trends. WEFA considers “information technology...to have three prongs -- computer hardware, computer software, and telecommunications services.” *Id.* at 13. After describing the rapid improvements in computer hardware, software and telecommunications services over the past years which presumably are built into the baseline forecast, WEFA merely states its optimistic belief that “the assumed productivity gains in the use of information services will probably be much larger than incorporated in this analysis.” *Id.* at 13. WEFA does not discuss the link between productivity in the “information sector” and “telecommunications services.” Nor does it discuss the link between “telecommunications services” and “long distance services” which SBLD will be providing. These are clearly important links which must be discussed in order to support any assumption concerning productivity gains due to lower long distance rates.

In its “Derivation of Modeling Assumptions for the Long Distance Simulation,” WEFA focuses on the widely reported rates increases for certain long distance products and completely ignores the new products introduced by new carriers which offer lower rates and the promotions which provide discounts, free service or other benefits. Failure to include such offerings in the underlying modeling assumptions results in a distorted view of the current environment.²⁴

In Figure 3 WEFA presents the Consumer Price Indexes for Selected Communications Services and finds that the percentage increase from 1991 through 1996

²⁴ WEFA has failed to identify the source or to provide any specifics concerning the “Long Distance Rates” in its Figure 2. It is obviously difficult to evaluate the analysis without such information.

is not as large as that shown in its Figure 2. WEFA suggests that more households are taking advantage of the discounts, but that the average price is increasing because basic rates have risen. As discussed above, the Consumer Price Index for Telecommunications is an index for residential service only and includes only some volume discounts. Thus, it does not accurately reflect the competitive products or the prices consumers pay for telecommunications services today.

Because of the extremely optimistic assumptions concerning price decreases and productivity gains and because of the reliance on inaccurate and inflated pricing data, the economic impact of SBLD's entry into the interLATA long distance market in Oklahoma forecasted by WEFA is biased upward. Clearly, the gains resulting specifically from SBLD's entry are likely to be far less "dramatic" than those predicted by WEFA.

IV. CONCLUSION.

SBC has failed to support its allegations of the benefits to consumers from the entry of SBLD into the long distance market. As discussed, the structure of the long distance market has been sorely mischaracterized. Vigorous competition exists, and residential consumers have not been neglected. Low volume residential customers are offered low-priced services which are not tied to volume of service. The addition of another competitor is unlikely to produce significant additional benefits.

HISTORICAL RATE CHANGES - BUSINESS PRODUCTS

<u>Effective Date</u>	<u>Dial 1 WATS Advantage</u>	<u>TMFB</u>	<u>Business Sense</u>
Sep 92	0.2099		
Mar-93	0.2138		
Aug-93	0.2270		
Feb-94	0.2363		
Mar-94	0.2390	0.2246	
Jun-94	0.2484	0.2338	
Oct-94	0.2484	0.2338	0.1450
Feb-95	0.2484	0.2387	0.1450
Mar-95	0.2628	0.2387	0.1450
Oct-95	0.2636	0.2387	0.1450
Jan-96	0.2636	0.2387	0.1160
Aug-96	0.2636	0.2410	0.1160
Nov-96	0.2636	0.2531	0.1160
Jan-97	0.2636	0.2531	0.1160

Assumptions:

Dial 1 WATS

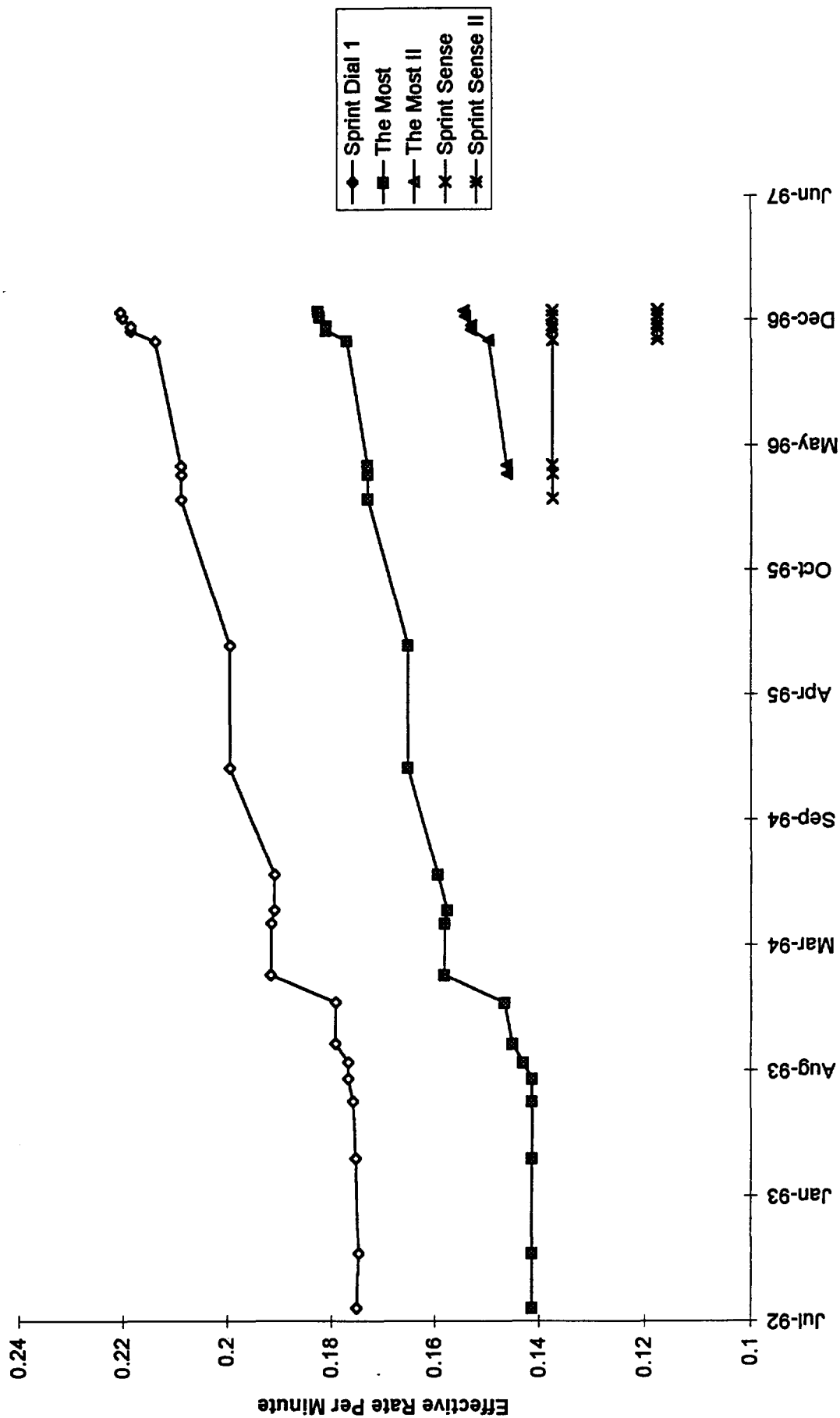
Advantage: The rates reflected above are Band 3 rates.
The Band 3 rates were blended for Peak 85% and Off-Peak 15%.
A volume discount of 2.5% was applied based on 100 hours of monthly usage (or approximately \$1,600 dollars).

The Most for Business: The rates reflected above are fully blended rates assuming the following:
Peak 85% and Off-Peak 15%. 10% Corridor, 10% Regional and 80% National. 70% Outbound and 30% Inbound. 12% discount for \$500 dollar monthly usage and 1 year term plan.

Business Sense: The rates reflected above are Business Sense base rates for \$750 dollar monthly usage and 1 year term plan. Fridays Free promotion was introduced in January 1996. The Fridays Free assumption is a 20% discount (1 day free out of 5). Business Sense base rates have not changed since its introduction.

HISTORIC RATE CHANGES - RESIDENTIAL PRODUCTS

Figure 1



HISTORICAL RATE CHARGES - RESIDENTIAL PRODUCTS

Comparison By Rate Change Effective Date

<u>Effective Date</u>	<u>Sprint Dial 1</u>	<u>The Most</u>	<u>The Most II</u>	<u>Sprint Sense</u>	<u>Sprint Sense II</u>
8/5/92	0.1752	0.1414			
11/1/92	0.1748	0.1414			
4/1/93	0.1754	0.1414			
7/1/93	0.1758	0.1414			
8/6/93	0.1768	0.1414			
9/1/93	0.1768	0.1431			
10/1/93	0.1793	0.1452			
12/6/93	0.1793	0.1467			
1/19/94	0.1918	0.1583			
4/11/94	0.1917	0.1582			
5/2/94	0.1911	0.1577			
6/28/94	0.1911	0.1595			
12/16/94	0.1997	0.1653			
2/21/96	0.2090	0.1731		.1375	
4/1/96	0.2090	0.1731	0.1463	.1375	
4/15/96	0.2090	0.1731	0.1463	.1375	
11/1/96	0.2140	0.1772	0.1498	.1375	.1176
11/18/96	0.2187	0.1811	0.1531	.1375	.1176
11/25/96	0.2187	0.1811	0.1531	.1375	.1176
12/9/96	0.2203	0.1824	0.1542	.1375	.1176
12/18/96	0.2207	0.1827	0.1545	.1375	.1176

Assumptions:

Interstate Direct Dialing calling

Traffic Distribution 40% Day 30% Eve 30% Nyt

Mileage Distribution 20% 1-292 20% 293-430 20% 431-925 20% 926-1910
20% 1911-3000

“The Most Discount” 50% of traffic receives 20% discount (Calls made to another Sprint customer or Most Called Customer)

20% of traffic receives 36% discount (Most Called Number is a Sprint Customer)

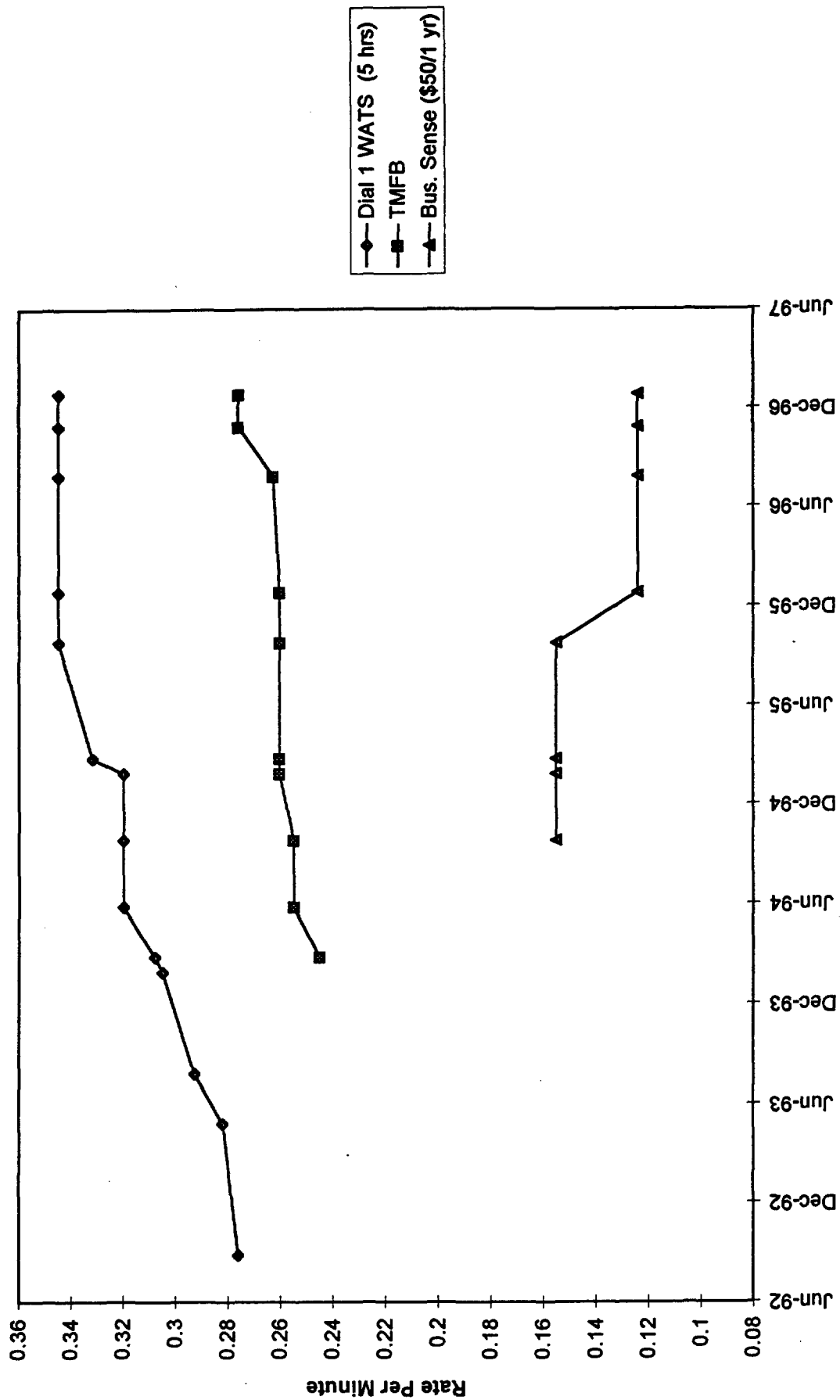
“The Most II” Discount: 30% average

Sprint Sense Traffic Distribution: 25% Peak 75% Off-Peak

Sprint Sense II with the Pinpoint Promotion: 53% of Peak traffic receives \$0.10 per minute rate (Calls made to the Most Called Number)

Figure 2

HISTORICAL RATE CHANGES - BUSINESS PRODUCTS



HISTORICAL RATE CHANGES - BUSINESS PRODUCTS

<u>Effective Date</u>	<u>Dial 1 WATS</u>	<u>TMFB</u>	<u>Business Sense</u>
Sep 92	0.2760		
Mar-93	0.2820		
Aug-93	0.2930		
Feb-94	0.3050		
Mar-94	0.3080	0.2451	
Jun-94	0.3200	0.2550	
Oct-94	0.3200	0.2550	0.1550
Feb-95	0.3200	0.2603	0.1550
Mar-95	0.3320	0.2603	0.1550
Oct-95	0.3450	0.2603	0.1550
Jan-96	0.3450	0.2603	0.1240
Aug-96	0.3450	0.2629	0.1240
Nov-96	0.3450	0.2761	0.1240
Jan-97	0.3450	0.2761	0.1240

Assumptions:

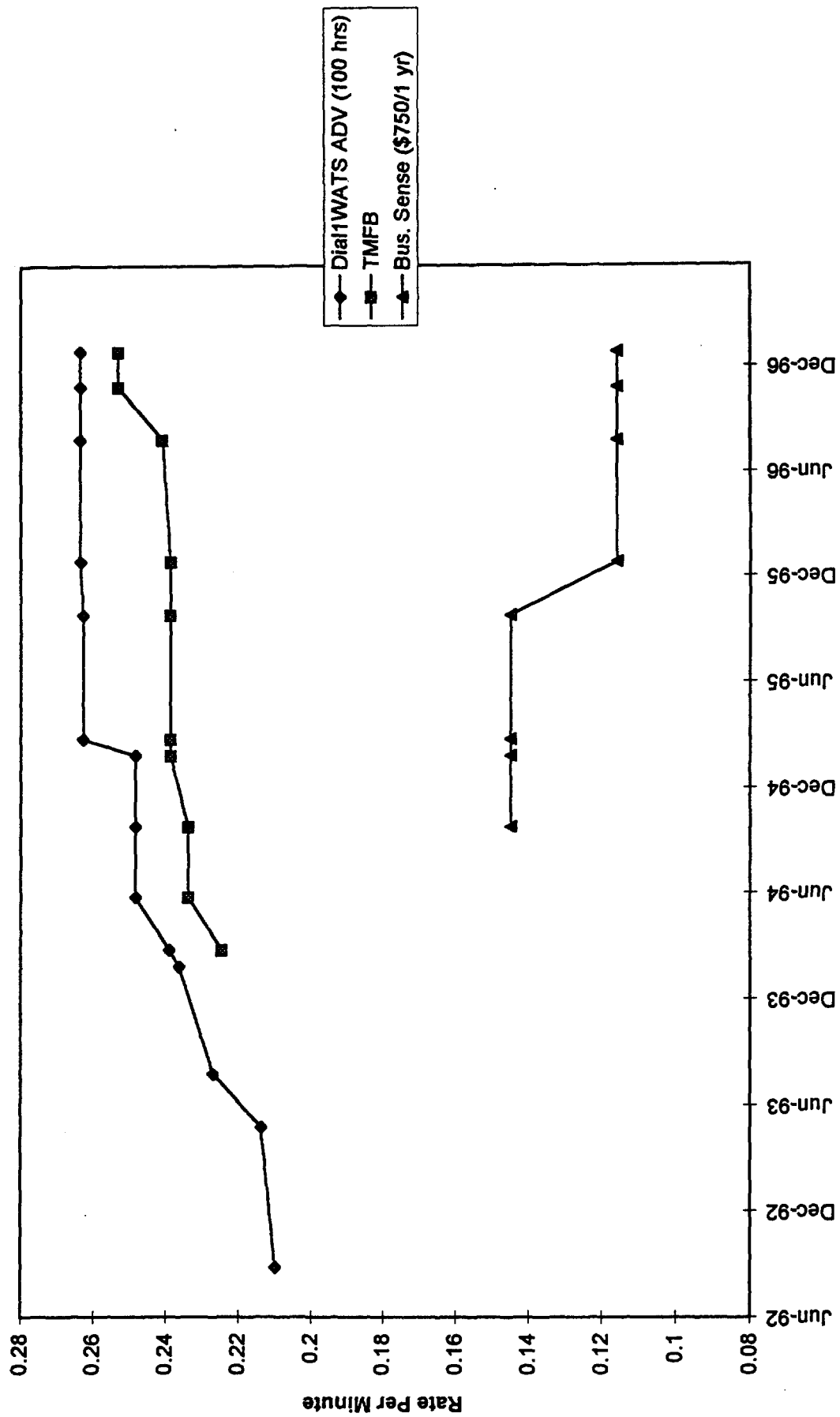
Dial 1 WATS: The rates reflected above are based on 5 hour usage, Peak, and Band 3. Fully blended rates are about 11% lower assuming \$50.00 monthly usage.

The Most for Business: The rates reflected above are fully blended rates assuming the following:
Peak 85% and Off-Peak 15%. 10% Corridor, 10% Regional and 80% National. 70% Outbound and 30% Inbound. 4% discount for \$25 dollar monthly usage and 1 year term plan.

Business Sense: The rates reflected above are Business Sense base rates for \$50 dollar monthly usage and 1 year term plan. Fridays Free promotion was introduced in January 1996. The Fridays Free assumption is a 20% discount (1 day free out of 5). Business Sense base rates have not changed since its introduction.

Figure 3

HISTORICAL RATE CHANGES - BUSINESS PRODUCTS



CERTIFICATE OF SERVICE

I Sharon Fields, do hereby certify that copies of the foregoing Petition to Deny have been sent, via first class mail (or by hand delivery where indicated *), on this 1st day of May, 1997 to the following:

Regina Keeney*
Chief, Common Carrier Bureau
FCC, Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Richard Metzger*
Deputy Chief, CCB
FCC, Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Larry Atlas*
Deputy Chief, CCB
FCC, Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Richard K. Welch*
Chief, Policy & Planning
CCB
FCC, Room 544
1919 M Street, N.W.
Washington, D.C. 20554

Don Russell*
Chief, Telecommunications
Task Force
Antitrust Division
U.S. Department of Justice
Room 8104 Judiciary Center
555 4th Street, N.W.
Washington, D.C. 20001

Daniel Gonzalez*
Legal Advisor
Office of Comr. Chong
FCC
1919 M Street, N.W., Room 844
Washington, D.C. 20554

Tom Boasberg*
Senior Legal Advisor
Office of Chairman Hundt
FCC
1919 M Street, N.W., Room 814
Washington, D.C. 20554

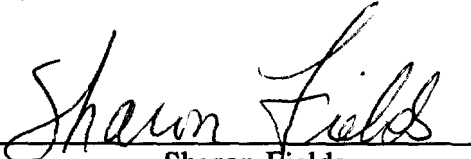
James Casserly*
Senior Legal Advisor
Office of Commr. Ness
FCC
1919 M Street, N.W., Room 832
Washington, D.C. 20554

James Coltharp*
Special Counsel
Office of Commr. Quello
FCC
1919 M Street, N.W., Room 802
Washington, D.C. 20554

ITS Inc.*
2100 M Street, N.W.
Suite 140
Washington, D.C. 20037

Charlotte Flanigan, Commission Secretary
Oklahoma Corporation Commission
Jim Thorpe Office Building
P.O. Box 52000-2000
Oklahoma City, OK 73152-2000

Michael K. Kellogg
Austin C. Schlick
Kellogg, Hubber, Hansen, Todd & Evans
1301 K Street, N.W.
Suite 1000 West
Washington, D.C. 20005


Sharon Fields